

AMENDED IN SENATE APRIL 5, 2016

**SENATE BILL**

**No. 1240**

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**Introduced by Senator Hall**

February 18, 2016

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An act to amend Sections ~~19607 and 19607.1~~ 19607, 19607.1, 19607.2, and 19607.3 of the Business and Professions Code, relating to horse racing, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 1240, as amended, Hall. Horse racing: thoroughbred racing: ~~central~~ northern, central, and southern zones: auxiliary offsite stabling, training, and vanning.

(1) The Horse Racing Law requires, when satellite wagering is conducted on thoroughbred races at associations or fairs in the ~~central~~ northern, central, or southern zone, that an amount not to exceed 1.25% of the total amount handled by all of those satellite wagering facilities be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred horsemen and horsewomen, to administer a fund to provide reimbursement for offsite stabling at California Horse Racing Board-approved auxiliary training facilities for additional stalls beyond the number of usable stalls the association or fair is required to make available and maintain, and for the vanning of starters from these additional stalls on racing days for thoroughbred horses.

This bill would increase the amount that is required to be deducted to an amount not to exceed ~~2%~~ 2% in the northern, central, and

southern zones, and would provide that this amount in the northern zone, if adjusted by the board, may be a different percentage of the handle for different associations and fairs, but only if all the associations and fairs agree to the differing percentages. The bill would establish an auxiliary offsite stabling and training facility and vanning program for thoroughbred races in the ~~central~~ northern, central, and southern zones. The bill would revise and recast the provisions governing the organization formed and operated to administer the fund to include, among other things, a 50-50 percentage allocation of specified voting interests on the board of the organization, the use of funds to compensate the provider of a board-approved auxiliary facility for offsite stabling and training of thoroughbred horses in the ~~central~~ northern, central, and southern zones, and the requirement that the organization submit its proposed financial and operational plans for the upcoming calendar year to the board for review no later than November 1 of the preceding year. *The bill would also require that the 2% of funds of the total amount handled, as specified, be used to pay the organization's expenses in the northern zone. The bill would require, in the northern, central, and southern zones and at the request of the board, the organization to submit a report detailing all of its receipts and expenditures over the prior 2 fiscal years and, upon request of any party within the organization, that those receipts and expenditures be audited by an independent 3rd party selected by the board at the organization's expense.*

The bill would also require that the funds be used to cover all or part of the cost of vanning thoroughbred horses in the ~~central~~ northern, central, or southern zone from a board-approved auxiliary offsite stabling and training facility and would authorize the organization to enter into multiyear contracts for auxiliary facilities in the ~~central~~ northern, central, or southern zone subject to specified conditions. The bill would authorize the organization to use the funds to pay back commissions, purses, and owners' premiums to the extent that the deductions made exceed in any year the amount of the funds necessary to achieve the objectives of the organization. *The bill would also authorize a thoroughbred racing association or fair in the northern zone to opt out of the auxiliary offsite stabling and training facility and vanning program, as specified.* The bill would provide that the board shall reserve the right to adjudicate any disputes that arise regarding costs or other matters relating to the furnishing of offsite stabling, training, or vanning.

By expanding the provisions of the Horse Racing Law, a violation of which is a crime, the bill would create new crimes and would thereby impose a state-mandated local program.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(3) This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 19607 of the Business and Professions  
2 Code is amended to read:  
3 19607. (a) Notwithstanding Sections 19605.8 and 19605.9,  
4 when satellite wagering is conducted on thoroughbred races at  
5 associations or fairs in the central or southern zone, an amount not  
6 to exceed 2 percent of the total amount handled by all of those  
7 satellite wagering facilities shall be deducted from the funds  
8 otherwise allocated for distribution as commissions, purses, and  
9 owners' premiums and instead distributed to an organization  
10 formed and operated by one licensed association from each facility  
11 in the central and southern zones at which a thoroughbred or fair  
12 racing meeting is conducted, and the organization representing  
13 thoroughbred horsemen and horsewomen, for use in accordance  
14 with Section 19607.1.  
15 (b) A vote of the organization representing thoroughbred  
16 horsemen and horsewomen shall constitute 50 percent of all voting  
17 interests on the board of the organization formed and operated to  
18 administer the fund. The other 50 percent of all voting interests  
19 shall be allocated among ~~thoroughbred racing associations and~~  
20 ~~fairs conducting thoroughbred racing~~ *the other members of the*  
21 *organization* in proportion to the number of racing weeks allocated  
22 to each thoroughbred racing association or fair in the central or  
23 southern zone. Any use of funds by the organization shall be  
24 approved by the affirmative vote of both (1) the organization  
25 representing thoroughbred horsemen and horsewomen, and (2) at

1 least two of the licensed thoroughbred racing associations that are  
2 part of the organization formed pursuant to this ~~section~~ *section*,  
3 *provided, however, that, if there are only two licensed*  
4 *thoroughbred racing associations that are part of the organization*  
5 *formed pursuant to this section, the vote of at least one of those*  
6 *two licensed thoroughbred racing associations shall be sufficient.*

7 SEC. 2. Section 19607.1 of the Business and Professions Code  
8 is amended to read:

9 19607.1. (a) Notwithstanding Section 19535, *the funds*  
10 distributed to the organization formed pursuant to Section 19607  
11 shall be used to compensate the provider of a board-approved  
12 auxiliary facility for offsite stabling and training of thoroughbred  
13 horses in the central or southern zone. The organization  
14 administering the offsite stabling and vanning program shall submit  
15 its proposed financial and operational plans for the upcoming  
16 calendar year to the board for review and approval no later than  
17 November 1 of the preceding year. Neither the organization  
18 administering the offsite stabling and vanning program nor any of  
19 the entities forming and operating the organization, except an entity  
20 operating the auxiliary offsite stabling facility where the injury  
21 occurred, shall be liable for any injury to any jockey, exercise  
22 person, owner, trainer, or any employee or agent thereof, or any  
23 horse occurring at any offsite stabling facility.

24 (b) The funds shall also be used to cover all or part of the cost  
25 of vanning thoroughbred horses from a board-approved auxiliary  
26 offsite stabling and training facility to start in a thoroughbred race  
27 at a thoroughbred or fair racing meeting in the central or southern  
28 zone. The organization shall determine the extent of and manner  
29 in which compensation will be paid for thoroughbred horses that  
30 are vanned from the auxiliary facility to the track conducting the  
31 thoroughbred or fair racing meeting, but the vanning shall be made  
32 available on a consistent and uniform basis for all thoroughbred  
33 and fair racing meetings in a given year. Neither the organization  
34 administering the offsite stabling and vanning program nor any of  
35 the entities that form and operate the organization, except an entity  
36 actually engaged in vanning horses, is liable for any injury  
37 occurring to any individual or horse during vanning from an offsite  
38 stabling facility.

39 (c) The auxiliary offsite stabling facilities and amenities  
40 provided for offsite stabling and training purposes shall be

1 substantially equivalent in character to those provided by the  
2 thoroughbred racing association or fair conducting the racing  
3 meeting.

4 (d) In order to ensure the long-term availability of facilities for  
5 offsite stabling and training, the organization may enter into  
6 multiyear contracts for auxiliary facilities in either the central or  
7 southern zone. The organization shall submit to the board for its  
8 approval multiyear contracts it enters into with providers of  
9 auxiliary facilities for the offsite stabling and ~~training period.~~  
10 *training*. Contracts not disapproved by the board within 60 days  
11 of submittal to the board shall be deemed to have been approved  
12 by the board. Once a multiyear contract has been approved by the  
13 board, it shall be considered to have been approved for its duration.

14 (e) At the request of the board, the organization shall submit a  
15 report detailing all of its receipts and expenditures over the prior  
16 two fiscal years ~~and~~ *and*, upon request of any party within the  
17 organization, those receipts and expenditures shall be audited *by*  
18 *an independent third party selected by the board.* ~~board at the~~  
19 *expense of the organization.*

20 (f) In addition to the uses of *the* funds described in subdivisions  
21 (a) and (b), the organization may use ~~the those~~ funds ~~for~~ *to do* both  
22 of the following:

23 (1) ~~The organization may maintain~~ *Maintain* a reserve fund of  
24 up to 10 percent of the total estimated annual vaning and auxiliary  
25 offsite stabling costs. In addition to the reserve fund, if the funds  
26 generated for the auxiliary offsite stabling facilities and vaning  
27 are insufficient to fully cover the expenses incurred, the  
28 organization may, in the future, accumulate sufficient funds to  
29 fully cover those expenses.

30 (2) Pay back commissions, purses, and owners' premiums to  
31 the extent the deductions made pursuant to Section 19607 exceed  
32 in any year the amount of funds necessary to achieve the objectives  
33 of the organization.

34 (g) The amount initially deducted and distributed to the  
35 organization shall be 2 percent of the total amount handled by  
36 satellite wagering facilities authorized under this article in the  
37 central or southern zone on thoroughbred racing, but that allocation  
38 may be adjusted by the board, in its discretion. However, the  
39 adjusted amount may not exceed 2 percent of the total amount  
40 handled by satellite wagering facilities.

(h) The board shall reserve the right to adjudicate any disputes that arise regarding costs or other matters relating to the furnishing of offsite stabling or vanning. Notwithstanding any other law, the board shall maintain all powers necessary and proper to ensure that offsite stabling and vanning, as provided for in this chapter, is conducted in a manner that protects the public and serves the best interests of horse racing.

*SEC. 3. Section 19607.2 of the Business and Professions Code is amended to read:*

19607.2. Notwithstanding Section 19605.8, when satellite wagering is conducted on thoroughbred races at associations or fairs in the northern zone, an amount not to exceed ~~1.25~~ 2 percent of the total amount handled by all of those satellite wagering ~~facilities;~~ *facilities* shall be deducted from the funds otherwise allocated for distribution as commissions, purses, and owners' premiums and instead *be* distributed to an organization formed and operated by thoroughbred racing associations, fairs conducting thoroughbred racing, and the organization representing thoroughbred ~~horsemen, with each party having meaningful representation~~ *horsemen and horsewomen, for use pursuant to* Section 19607.3. A vote of the organization representing thoroughbred horsemen and horsewomen shall constitute 50 percent of all voting interests on the board of the ~~organization, to administer, pursuant to supervision of the board, a fund to provide reimbursement for offsite stabling at board-approved auxiliary training facilities of~~ *organization formed and operated to administer the fund. The other 50 percent of all voting interests shall be allocated among thoroughbred racing associations or fairs for additional stalls beyond the number of usable stalls the association is required to make available and maintain pursuant to Section 19535, for starter fees and for the vanning of starters from these additional stalls on race days for thoroughbred horses. and fairs conducting thoroughbred racing in a manner that provides meaningful representation on the governing board of the organization for thoroughbred racing associations and fairs conducting thoroughbred racing, except as provided in subdivision (h) of Section 19607.3.*

*SEC. 4. Section 19607.3 of the Business and Professions Code is amended to read:*

1 19607.3. (a) ~~The~~ *Notwithstanding Section 19535, the funds*  
2 *distributed to the organization formed pursuant to Section 19607.2*  
3 *shall be used to reimburse racing associations that are operating*  
4 *pay the expenses of the organization and compensate the provider*  
5 *of a board-approved auxiliary offsite facility for stabling, training,*  
6 *and vanning of thoroughbred horses in the northern zone. The*  
7 *organization administering the auxiliary offsite stabling providing*  
8 *additional stalls and training facility and vanning program shall*  
9 *submit its proposed financial and operational plans for the*  
10 *incremental increase in operating costs directly resulting from*  
11 *providing the stabling, upcoming calendar year to the board for*  
12 *review no later than November 1 of the preceding year. Neither*  
13 *the organization administering the auxiliary offsite stabling and*  
14 *training facility and vanning program nor any of the entities*  
15 *forming and operating the organization, except the entity operating*  
16 *the auxiliary offsite stabling and training facility where the injury*  
17 *occurred, shall be liable for any injury to any jockey, exercise*  
18 *person, owner, trainer, or any employee or agent thereof, or any*  
19 *horse occurring at any auxiliary offsite stabling and training*  
20 *facility.*

21 (b) ~~The funds shall also be used to reimburse horsemen for cover~~  
22 ~~all or part of the cost of vanning starting thoroughbred horses~~  
23 ~~from a board-approved auxiliary training facility operated by a~~  
24 ~~racing association or fair offsite stabling and training facility to~~  
25 ~~the track conducting the racing meeting. Horsemen may use carriers~~  
26 ~~of their own choice, except that the amount of reimbursement to~~  
27 ~~horsemen is limited to the amount that the organization determines~~  
28 ~~is generally charged by carriers for vanning to start in a~~  
29 ~~thoroughbred race at a thoroughbred or fair racing meeting in~~  
30 ~~the northern zone. The organization shall determine the extent of~~  
31 ~~and manner in which compensation will be paid for thoroughbred~~  
32 ~~horses that are vanned from the auxiliary training facility to the~~  
33 ~~track or the fair conducting the thoroughbred or fair racing~~  
34 ~~meeting. Neither the organization administering the auxiliary~~  
35 ~~offsite stabling and training facility and vanning program nor any~~  
36 ~~of the entities forming and operating the organization, except the~~  
37 ~~an entity actually engaged in vanning horses, is liable for any~~  
38 ~~injury occurring to any individual or horse during vanning from~~  
39 ~~an offsite stabling and training facility.~~

1 (c) The *auxiliary offsite stabling and training facilities and the*  
2 *amenities provided for offsite stabling and training purposes shall*  
3 *be substantially equivalent in character to those provided during*  
4 *racing meetings of the association. by the thoroughbred racing*  
5 *association or fair conducting the racing meeting.*

6 ~~(d) Upon the request of any party within the organization, the~~  
7 ~~board shall adjudicate any dispute regarding costs, or other matters~~  
8 ~~relating to the furnishing of offsite stabling or vanning. The board~~  
9 ~~may, if necessary, appoint an independent auditor to assist in the~~  
10 ~~resolution of disputes. The auditor shall be reimbursed from the~~  
11 ~~funds of the organization.~~

12 ~~(e) The organization may maintain a reserve fund of up to 10~~  
13 ~~percent of the total estimated annual vanning and stabling costs.~~  
14 ~~In addition to the reserve fund, if the funds generated for offsite~~  
15 ~~stabling and vanning are insufficient to fully reimburse racing~~  
16 ~~associations or fairs for expenses incurred during the offsite~~  
17 ~~vanning and stabling program, the organization may accumulate~~  
18 ~~sufficient funds to fully reimburse those associations or fairs for~~  
19 ~~those expenses.~~

20 *(d) In order to ensure the long-term availability of facilities for*  
21 *offsite stabling and training, the organization may enter into*  
22 *multiyear contracts for auxiliary facilities in the northern zone.*  
23 *The organization shall submit to the board for its approval the*  
24 *multiyear contracts that it enters into with providers of auxiliary*  
25 *facilities for offsite stabling and training. Contracts not*  
26 *disapproved by the board within 60 days of submittal to the board*  
27 *shall be deemed to have been approved by the board.*

28 *(e) At the request of the board, the organization shall submit a*  
29 *report detailing all of its receipts and expenditures over the prior*  
30 *two fiscal years and, upon request of any party within the*  
31 *organization, those receipts and expenditures shall be audited by*  
32 *an independent third party selected by the board at the expense*  
33 *of the organization.*

34 *(f) In addition to the uses of the funds described in subdivisions*  
35 *(a) and (b), the organization may use the funds for both of the*  
36 *following:*

37 *(1) Maintain a reserve fund of up to 10 percent of the total*  
38 *estimated annual vanning and auxiliary offsite stabling and*  
39 *training facility costs. In addition to the reserve fund, if the funds*  
40 *generated for the auxiliary offsite stabling and training facilities*



1 *and vanning are insufficient to fully cover the expenses incurred,*  
2 *the organization may, in the future, accumulate sufficient funds to*  
3 *fully cover those expenses.*

4 *(2) Pay back commissions, purses, and owners' premiums to*  
5 *the extent the deductions made pursuant to Section 19607.2 exceed*  
6 *in any year the amount of funds necessary to achieve the objectives*  
7 *of the organization.*

8 ~~(f)~~

9 *(g) The amount initially deducted and distributed to the*  
10 *organization shall be 0.5 percent of the total amount handled by*  
11 *satellite wagering facilities authorized under this article in the*  
12 *northern zone on thoroughbred racing, but that allocation may*  
13 *pursuant to Section 19607.2 may be adjusted by the board, in its*  
14 *discretion. However, the adjusted amount may shall not exceed*  
15 *1.25 2 percent of the total amount handled by satellite wagering*  
16 *facilities, to pay expenses and maintain the reserve fund for the*  
17 *continuing support of the program. facilities. The amount deducted*  
18 *and distributed to the organization as adjusted by the board may*  
19 *be a different percentage of the handle for different associations*  
20 *and fairs conducting thoroughbred racing meetings in the northern*  
21 *zone, but only if all the associations and fairs agree to the differing*  
22 *percentages.*

23 *(h) A thoroughbred racing association or fair in the northern*  
24 *zone that the board determines is able to provide the minimum*  
25 *number of stalls required by its racing meeting license without the*  
26 *use of any auxiliary offsite stabling and training facility and*  
27 *vanning program may opt out of that program, in which case the*  
28 *deduction described in Section 19607.2 shall not apply during the*  
29 *live racing meeting conducted by the association or fair until such*  
30 *time as the association or fair opts back into the auxiliary offsite*  
31 *stabling and training facility and vanning program. Any*  
32 *thoroughbred racing association or fair in the northern zone that*  
33 *opts out of the auxiliary offsite stabling and training facility and*  
34 *vanning program shall not have any voting interest therein until*  
35 *such time as the association or fair opts back into the program.*  
36 *The organization shall establish reasonable procedures and*  
37 *timelines for the giving of notice to the organization by a*  
38 *thoroughbred racing association or fair that elects to opt out of*  
39 *the auxiliary offsite stabling and training facility and vanning*  
40 *program.*

1     *(i) The board shall reserve the right to adjudicate any disputes*  
2     *that arise regarding costs, or other matters, relating to the*  
3     *furnishing of offsite stabling, training, or vanning. Notwithstanding*  
4     *any other law, the board shall maintain all powers necessary and*  
5     *proper to ensure that offsite stabling, training, and vanning, as*  
6     *provided for in this article, is conducted in a manner that protects*  
7     *the public and serves the best interests of horse racing.*

8     ~~SEC. 3.~~

9     SEC. 5. No reimbursement is required by this act pursuant to  
10    Section 6 of Article XIII B of the California Constitution because  
11    the only costs that may be incurred by a local agency or school  
12    district will be incurred because this act creates a new crime or  
13    infraction, eliminates a crime or infraction, or changes the penalty  
14    for a crime or infraction, within the meaning of Section 17556 of  
15    the Government Code, or changes the definition of a crime within  
16    the meaning of Section 6 of Article XIII B of the California  
17    Constitution.

18    ~~SEC. 4.~~

19    SEC. 6. This act is an urgency statute necessary for the  
20    immediate preservation of the public peace, health, or safety within  
21    the meaning of Article IV of the Constitution and shall go into  
22    immediate effect. The facts constituting the necessity are:

23    In order to ensure that the horse racing industry may continue,  
24    uninterrupted, to provide auxiliary offsite stabling and vanning in  
25    an effective manner that protects the public safety, it is necessary  
26    that this act take effect immediately.